

**FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

REPUBLIC TOWNSHIP
Marquette County, Michigan

March 31, 2005

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name REPUBLIC TOWNSHIP	County MARQUETTE
Fiscal Year End 3/31/2005	Opinion Date 2/16/2006	Date Audit Report Submitted to State 7/18/2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


SE
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☐ ☒ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) KRONCICH & ASSOCIATES, P.C.		Telephone Number 906-228-7950	
Street Address 843 W. WASHINGTON ST.		City MARQUETTE	State MI
Zip 49855		License Number 1101013850	
Authorizing CPA Signature 		Printed Name MICHAEL R. HILL, CPA	

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kroncich & ASSOCIATES P.C.

Certified Public Accountants

ANTHONY N. KRONCICH, CPA • MICHAEL R. HILL, CPA

Members:
American Institute of C.P.A.'s
Michigan Association of C.P.A.'s

INDEPENDENT AUDITORS' REPORT

The Honorable Supervisor and Township Board
Republic Township
Marquette County, Michigan

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the remaining fund information, of Republic Township, Marquette County, Michigan, as of and for the year ended March 31, 2005, which collectively comprise Republic Township's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The basic financial statements referred to above do not include the governmental activities' fixed assets, which should be included in order to conform with accounting principles generally accepted in the United States of America. The amount that should be recorded for the governmental activities' fixed assets is not known.

In our opinion, except for the effects on the financial statements of the omission described in the preceding paragraph, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, each major fund and remaining aggregate fund information of Republic Township, Marquette County, Michigan as of March 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITORS' REPORT (continued)

In accordance with *Government Auditing Standards*, we have also issued our report dated February 16, 2006 on our consideration of Republic Township's internal control over financial reporting and our tests of its compliance with laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis (pages 5-9) and required supplemental information (pages 38-41) are not a required part of the basic financial statements, but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Republic Township's basic financial statements. The other supplemental information, as listed in the table of contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applies in the audit of the basic financial statements and, in our opinion, is fairly stated in relation to the basic financial statements taken as a whole.

Kronish & Associates, P.C.

Certified Public Accountants

Marquette, Michigan
February 16, 2006

REPUBLIC TOWNSHIP MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)

Our discussion and analysis of Republic Township's financial performance provides an overview of the Township's financial activities for the year ended March 31, 2005. Please read it in conjunction with the financial statements, which begin on page 10.

Overview of the Financial Statements

Republic Township's March 31, 2005 (2005) annual report follows a different format than in prior years. This annual report consists of four parts - management's discussion and analysis, the basic financial statements, required supplementary information, and other supplemental information. The basic financial statements include two kinds of statements that present different views of the Township. The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the Township's government, reporting operations in more detail than the government-wide statements.

Government-Wide Statements

The government-wide statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. 2005 is the first year that industry-wide statements have been included in the annual report of this Township. The statement of net assets includes all of the government's assets and liabilities, except governmental fund fixed assets. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. The major change was to general long-term debt in the financial statements for the first time.

The two government-wide financial statements of the Township are divided into two categories:

- 1) Governmental Activities - Most of the Township's basic services are included here, such as police, fire, ambulance, public works, recreation, library and general government. Property taxes, state-shared revenue and charges for services provide most of the funding.
- 2) Business-type activities - The Township charges fees to customers/users to help it cover the cost of services it provides. The Township's water, sewer, and solid waste disposal operations are treated as business-type operations.

REPUBLIC TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited) (continued)

Fund Financial Statements

The fund financial statements provide more detailed information about the Township's most significant funds - not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and bond covenants. The Township Board establishes other funds to control and manage money for particular purposes.

The Township has three kinds of funds:

- 1) Governmental Funds - Most of the Township's basic services are included in governmental funds, which focus on how cash and other financial assets can readily be converted to cash flow in and out, and the balances left at year end that are available for spending. The governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs.
- 2) Proprietary Funds - Services for which the Township charges customers a fee are generally reported in proprietary funds. Proprietary funds, like government-wide statements, provide both long-term and short-term financial information. The water, sewer, and solid waste disposal activities are the proprietary funds of the Township.
- 3) Fiduciary Funds - The Township is responsible for ensuring that the assets reported in these funds are for their intended purposes. All of the Township's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the Townships government-wide financial statements because the Township cannot use these assets to finance operations. The Township's fiduciary fund is the Agency fund.

Financial Overview

Republic Township has combined net assets of \$1,769,000. Governmental activities comprise \$(289,000) and business-type activities make up \$2,058,000. The reason the governmental funds show a negative net assets is that governmental long-term debt is reflected in these statements (\$674,000), but the related capital assets are not recorded.

REPUBLIC TOWNSHIP**MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited) (continued)**

In condensed format, the table below shows a comparison of the net assets as of the current date to the prior year (in thousands of dollars):

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2005	2004	2005	2004	2005	2004
Current assets	385	362	136	148	521	510
Restricted assets			101	107	101	107
Capital assets	—	—	<u>2,081</u>	<u>2,159</u>	<u>2,081</u>	<u>2,159</u>
Total assets	385	362	2,318	2,414	2,703	2,776
Current liabilities			15	15	15	15
Long-term liabilities	<u>674</u>	<u>484</u>	<u>245</u>	<u>260</u>	<u>919</u>	<u>744</u>
Total liabilities	<u>674</u>	<u>484</u>	<u>260</u>	<u>275</u>	<u>934</u>	<u>759</u>
Net assets	(289)	(122)	2,058	2,139	1,769	2,017

The following table shows the changes in net assets for 2005 (in thousands of dollars):

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Revenue			
Program revenue:			
Charges for services	24	238	262
Operating grants and contributions	169		169
General Revenues:			
Property taxes	303		303
State- shared and grants	87		87
Unrestricted investment earnings	16	4	20
Special items and other	<u>27</u>	<u>70</u>	<u>97</u>
Total revenue	626	312	938
Program expenses			
General government	134		134
Public safety	63		63
Public works	105		105
Recreation and culture	8		8
Health and welfare	23		23
Other functions	220		220
Interest on long-term debt	29		29
Capital outlay/depreciation	209		209
Water, sewer, garbage		<u>393</u>	<u>393</u>
Total program expenses	<u>791</u>	<u>393</u>	<u>1,184</u>
Change in net assets	(165)	(81)	(246)

REPUBLIC TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited) (continued)

Governmental Activities

Revenues from governmental activities totaled \$626 thousand in 2005. A total of \$303,000 was in the form of ad valorem property taxes, which was approximately 48 of governmental fund revenues. Taxable value of the Township was about \$34 million. A total of 7.6466 mills was levied in the current year. One (1) mill is equal to \$1.00 per each \$1,000 of taxable value of real and personal property.

State-shared revenues continued the trend of decreases as the State's economy continues to experience little growth. State shared revenues were \$87,000 in 2005 compared to \$89,000 in the prior year. This was about \$113,000 just 4 years ago.

Business-type Activities

Republic Township has three business-type activities, the Water, Sewer, and Solid Waste Disposal Funds. Total revenue in these funds was \$310,000 in 2005. Water is supplied by below-ground wells and is pumped into the system. Sewage is disposed of using a lagoon system. The Township contracts out its solid waste collection services. Not all of the residents of the Township have water and/or sewage services provided to them.

Current Economic Events

State revenue sharing is one of the most significant budgetary concerns at this time. Also, energy costs have an effect on our operations. Recognizing that the economy, particularly the auto industry, of Michigan is probably going to be struggling for some time, we do not project any significant improvement in State revenues for some time. We continue to try to hold down expenses and to utilize our resources and personnel as efficiently as possible.

Capital Project

Throughout 2005, we continued to make progress on our emergency services building. Once completed, we will be able to more efficiently and effectively provide our residents and businesses with emergency services.

The building is being financed with a bond issue through the USDA Rural Development, with an estimated final loan amount of \$800,000. This is being paid for through a special millage levy, which this year was 1.5513 mills. The millage expires in 2031.

REPUBLIC TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited) (continued)

Financial Analysis of Township Funds and Budgets

The General Fund ended 2005 with a fund balance of \$337,000. Although actual revenues were approximately \$102,000 under budget, our expenditures were also considerably under budget, by about \$117,000. We were able to increase our fund balance by a modest \$14,835.

Contact Us

This report is intended to aid our residents and other interested parties in understanding Republic Township's financial condition and result of operations. Should you have further questions, please contact our business office and you will be directed to the appropriate Board Officer.

Republic Township

REPUBLIC TOWNSHIP**STATEMENT OF NET ASSETS**

March 31, 2005

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash - Note B	\$91,105	\$128,356	\$219,461
Receivables	32,610	7,537	40,147
Due from other funds	261,584		261,584
Restricted assets:			
Cash - Note B		69,817	69,817
Receivables		31,115	31,115
Fixed assets (net of accumulated depreciation) - Notes D and F		2,081,089	2,081,089
TOTAL ASSETS	\$385,299	\$2,317,914	\$2,703,213
LIABILITIES			
Current Liabilities			
Current maturities of bonds payable		15,000	15,000
Long-term debt - Notes E and F:			
Bonds payable	674,200	245,000	919,200
TOTAL LIABILITIES	674,200	260,000	934,200
NET ASSETS			
Invested in capital assets, net of related det	(674,200)	1,821,089	1,146,889
Reserved	47,957	100,932	148,889
Unrestricted:			
Designated	337,342		337,342
Undesignated		135,893	135,893
TOTAL NET ASSETS	(\$288,901)	\$2,057,914	\$1,769,013
	=====	=====	=====

See notes to financial statements.

REPUBLIC TOWNSHIP
STATEMENT OF ACTIVITIES
Year ended March 31, 2005

		Program Revenue		Net (Expense) Revenue and Changes in Net Assets		
<u>Program Activities</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Business Type Activities</u>	<u>Total</u>
GOVERNMENTAL ACTIVITIES:						
Current:						
Legislative	\$18,497				(\$18,497)	(18,497)
General government	115,356	7,835			(107,521)	(107,521)
Public safety	62,999				(62,999)	(62,999)
Public works	105,300				(105,300)	(105,300)
Health and welfare	22,572	16,736			(5,836)	(5,836)
Recreation and culture	8,022				(8,022)	(8,022)
Other	223,188		168,620		(54,568)	(54,568)
Debt service - interest	28,502				(28,502)	(28,502)
Capital outlay	208,568				(208,568)	(208,568)
BUSINESS TYPE ACTIVITIES						
Sewer	159,051	80,154			(78,897)	(78,897)
Water	121,856	74,238			(47,618)	(47,618)
Solid Waste	110,588	82,820			(27,768)	(27,768)
TOTAL PRIMARY GOVERNMENT	\$1,184,499	\$261,783	\$168,620	\$0	(154,283)	(754,096)
General Revenues:						
Taxes and penalties:						
Levied for general purposes					255,165	255,165
Levied for debt service					47,957	47,957
State grants					86,999	86,999
Interest and rentals					3,782	19,415
Other revenue					69,515	96,456
TOTAL GENERAL REVENUES					432,695	505,992
CHANGE IN NET ASSETS						
Net assets at beginning of year					(167,118)	(248,104)
					(121,783)	2,017,117
NET ASSETS AT END OF YEAR					\$2,057,914	\$1,769,013

See notes to financial statements.

REPUBLIC TOWNSHIP - Governmental Funds**BALANCE SHEET**

March 31, 2005

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash	\$90,822	\$8	\$275	\$91,105
Receivables:				
Property taxes	20,001			20,001
State of Michigan	12,609			12,609
Due from other funds	213,635	47,949		261,584
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	\$337,067	\$47,957	\$275	\$385,299
	=====	=====	=====	=====
LIABILITIES				
Accounts payable				
Due to other funds				
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	0	0	0	0
FUND EQUITY				
Fund balance:				
Reserved - debt retirement - Note G		\$47,957		47,957
Unreserved:				
Designated - Note G:				
Subsequent year expenditures	206,693			206,693
Capital improvements	\$130,374		275	130,649
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND EQUITY	337,067	47,957	275	385,299
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	\$337,067	\$47,957	\$275	\$385,299
	=====	=====	=====	=====

See notes to financial statements.

REPUBLIC TOWNSHIP

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS

March 31, 2005

Total fund balances of governmental funds

\$385,299

Amounts reported for governmental activities in the statement
of net assets are different because:

Long-term liabilities are not due and payable in the current period
and are not reported in the fund statements

(674,200)

Net Assets of Governmental Activities

(\$288,901)

=====

REPUBLIC TOWNSHIP
GOVERNMENTAL FUNDS - STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
Year ended March 31, 2005

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Revenues:				
Property taxes - Note H	\$255,165	\$47,957		\$303,122
State grants	86,999			86,999
Charges for services	27,598			27,598
Interest and rentals	15,633			15,633
Other revenue	192,534			192,534
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL REVENUES	577,929	47,957	\$0	625,886
Expenditures:				
Current Operating:				
Legislative	18,497			18,497
General government	115,356			115,356
Public safety	62,999			62,999
Public works	105,300			105,300
Health and welfare	22,572			22,572
Recreation and cultural	8,022			8,022
Other	223,188			223,188
Debt retirement		39,502		39,502
Capital outlay	7,160		201,408	208,568
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES	563,094	39,502	201,408	804,004
	<hr/>	<hr/>	<hr/>	<hr/>
EXCESS OF REVENUES (EXPENDITURES)	14,835	8,455	(201,408)	(178,118)
Other financing sources:				
Bond/Loan Proceeds			<u>201,600</u>	<u>201,600</u>
Net Change in Fund Balances	14,835	8,455	192	23,482
Fund balance at beginning of year	322,232	39,502	83	361,817
	<hr/>	<hr/>	<hr/>	<hr/>
FUND BALANCE AT END OF YEAR	\$337,067	\$47,957	\$275	\$385,299
	<hr/>	<hr/>	<hr/>	<hr/>

See notes to financial statements.

REPUBLIC TOWNSHIP

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Net Change in Fund Balances - Total Governmental Funds

\$23,482

Amounts reported for governmental activities in the statement of
net assets are different because:

Current year long-term debt principal payments reported
in the governmental fund financial statements are shown as
a reduction in long-term debt in the government-wide
financial statements

11,000

Current year long-term debt principal proceeds reported
in the governmental fund financial statements are shown as
an increase in long-term debt in the government-wide
financial statements

(201,600)

Change in Net Assets of Governmental Activities

(\$167,118)

=====

See notes to financial statements.

REPUBLIC TOWNSHIP
BALANCE SHEET - PROPRIETARY (ENTERPRISE) FUNDS
 March 31, 2005

	Sewer Fund	Water Fund	Solid Waste Fund	Total
CURRENT ASSETS				
Cash	\$91,993	\$29,348	\$7,015	\$128,356
Accounts receivable, less allowance for bad debts	<u>2,241</u>	<u>1,642</u>	<u>3,654</u>	<u>7,537</u>
TOTAL CURRENT ASSETS	94,234	30,990	10,669	135,893
RESTRICTED ASSETS				
Cash	69,817			69,817
Sewage connection charges receivable	31,115			31,115
Accounts receivable	<u>0</u>			<u>0</u>
TOTAL RESTRICTED ASSETS	100,932	0	0	100,932
UTILITY PLANT IN SERVICE				
Sewage collection and treatment system	2,384,534			2,384,534
Sewage equipment	147,128			147,128
Sewage structures and improvements	445,950			445,950
Water distribution system and accessories		593,675		593,675
Garbage collection equipment			<u>30,542</u>	<u>30,542</u>
	2,977,612	593,675	30,542	3,601,829
Less allowance for depreciation	<u>(1,297,356)</u>	<u>(194,859)</u>	<u>(28,525)</u>	<u>(1,520,740)</u>
	<u>1,680,256</u>	<u>398,816</u>	<u>2,017</u>	<u>2,081,089</u>
	<u>\$1,875,422</u>	<u>\$429,806</u>	<u>\$12,686</u>	<u>\$2,317,914</u>
	=====	=====	=====	=====
CURRENT LIABILITIES				
Current maturities on long term bonds	<u>\$15,000</u>			<u>\$15,000</u>
TOTAL CURRENT LIABILITIES	15,000	\$0	\$0	15,000
BONDS PAYABLE (less current maturities included above)				
5% Revenue bonds	195,000			195,000
5% Special assessment bonds	<u>50,000</u>			<u>50,000</u>
	<u>245,000</u>	<u>0</u>	<u>0</u>	<u>245,000</u>
TOTAL LIABILITIES	260,000	0	0	260,000
NET ASSETS				
Invested in capital assets, net of related debt	1,420,256	398,816	2,017	1,821,089
Unrestricted	<u>195,166</u>	<u>30,990</u>	<u>10,669</u>	<u>236,825</u>
TOTAL NET ASSETS	<u>\$1,615,422</u>	<u>\$429,806</u>	<u>\$12,686</u>	<u>\$2,057,914</u>
	=====	=====	=====	=====

See notes to financial statements.

REPUBLIC TOWNSHIP
STATEMENT OF REVENUES AND EXPENSES -
PROPRIETARY (ENTERPRISE) FUNDS
Year ended March 31, 2005

	Sewer Fund	Water Fund	Solid Waste Fund	Total
Operating Revenues:				
Sewer sales	\$80,154			\$80,154
Water sales		\$74,238		74,238
Garbage collection			\$82,820	82,820
Miscellaneous	16,432	33,734	19,349	69,515
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL OPERATING REVENUES	96,586	107,972	102,169	306,727
Operating Expenses:				
Salaries and wages:				
Elected officials	3,150	3,150	3,150	9,450
Other	24,376	30,168	21,628	76,172
Employee benefits	9,988	11,614	8,411	30,013
Insurance	8,347			8,347
Utilities	11,551	18,134		29,685
Fuel	4,909	3,522		8,431
Repairs and maintenance	5,768	8,664		14,432
Operating supplies	8,498	11,679	23,238	43,415
Professional services		10,487		10,487
Garbage collection fees			45,692	45,692
Miscellaneous	5,775	11,212	6,882	23,869
Provision for depreciation	62,939	13,226	1,587	77,752
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL OPERATING EXPENSES	145,301	121,856	110,588	377,745
	<hr/>	<hr/>	<hr/>	<hr/>
OPERATING INCOME (LOSS)	(48,715)	(13,884)	(8,419)	(71,018)
Nonoperating revenues (Expenses):				
Interest earned				
on investments	1,636	407	1,739	3,782
Interest expense	(13,750)			(13,750)
	<hr/>	<hr/>	<hr/>	<hr/>
NET INCOME (LOSS)	(\$60,829)	(\$13,477)	(\$6,680)	(\$80,986)
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>

See notes to financial statements.

REPUBLIC TOWNSHIP**STATEMENT OF CHANGES IN NET ASSETS - PROPRIETARY (ENTERPRISE) FUNDS**

Year ended March 31, 2005

	Sewer Fund	Water Fund	Solid Waste Fund	Combined Total
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT				
Balance at beginning of year	\$1,468,195	\$412,042	\$3,604	\$1,883,841
Additions:				
Capital assets purchased				0
Reduction in related debt	15,000			15,000
Reductions:				
Current depreciation	(62,939)	(13,226)	(1,587)	(77,752)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
BALANCE AT END OF YEAR	\$1,420,256	\$398,816	\$2,017	\$1,821,089
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
UNRESTRICTED				
Balance at beginning of year	\$208,056	\$31,241	\$15,762	\$255,059
Net income (loss) for the year	(60,829)	(13,477)	(6,680)	(80,986)
Add depreciation expense, which is a reduction in "Invested in Capital Assets, Net of Related Debt", above	62,939	13,226	1,587	77,752
Less principal payment on debt related capital assets	(15,000)			(15,000)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
BALANCE AT END OF YEAR	\$195,166	\$30,990	\$10,669	\$236,825
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

See notes to financial statements.

REPUBLIC TOWNSHIP
STATEMENT OF CASH FLOW - PROPRIETARY (ENTERPRISE) FUNDS
Year ended March 31, 2005

	Sewer Fund	Water Fund	Solid Waste Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Operating income (loss)	(\$48,715)	(\$13,884)	(\$8,419)	(\$71,018)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	62,939	13,226	1,587	77,752
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	14,224	(658)	(6,832)	6,734
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	0	0	0	0
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Principal paid on bonds	(15,000)			(15,000)
Interest paid on bonds	(13,750)			(13,750)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(28,750)	0	0	(28,750)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest on investments	1,636	407	1,739	3,782
NET CASH PROVIDED BY INVESTING ACTIVITIES	1,636	407	1,739	3,782
NET INCREASE (DECREASE) IN CASH	(12,890)	(251)	(5,093)	(18,234)
Cash at beginning of year	174,700	29,599	12,108	216,407
CASH AT END OF YEAR	\$161,810	\$29,348	\$7,015	\$198,173

See notes to financial statements.

REPUBLIC TOWNSHIP
FIDUCIARY FUNDS
STATEMENT OF NET ASSETS

March 31, 2005

ASSETS:

Cash

\$261,584

=====

LIABILITIES:

Due to other funds

\$261,581

=====

REPUBLIC TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

March 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Republic Township, Marquette County, Michigan conform to generally accepted accounting principles as applicable to governments as described under "basis of accounting" below. The following is a summary of the more significant policies of the Township:

Description of Township Operations

The Township operates under an elected Board of Trustees (5 members) and provides services to its 1,106 (2000 census) residents including sanitation, fire protection, ambulance services, recreation, and water and sewer utilities.

Reporting Entity

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity, these financial statements present Republic Township, Marquette County, Michigan. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether financial statements would be misleading if the component unit data were not included. The accounting policies of Republic Township conform to generally accepted accounting principles with the exception of the Township's general fixed assets, which are not recorded.

Government-wide and Fund Financial Statements

The government-wide financial statements, as mandated by GASB #34, report information on all of the nonfiduciary activities of the Township. This is the first year these statements have been required. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on user fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. All of the individual governmental funds and proprietary funds are reported as separate columns in the fund financial statements.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Accounting

The accounts of the Township are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. The available resources are allocated to and accounted for in the individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into three fund categories and one account group as follows:

Governmental Funds

General Fund - General Fund is the general operating fund and, accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.

Capital Projects Fund - This fund accounts for resources acquired to purchase and construct a fire hall and new fire truck. As no transactions have occurred, the fund is not included in the financial statements.

Debt Retirement Fund - This fund accounts for taxes levied for debt retirement, and the related debt retirement expenditures.

Proprietary Funds

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. These Funds of the Township are the Water Fund, Sewer Fund, and Solid Waste Fund.

Fiduciary Funds

Trust and Agency Funds - Trust and Agency Funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments or other funds. These include Expendable Trust and Agency Funds. The Trust and Agency Fund of the Township is the Tax Collection Fund.

Basis of Accounting

The basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. The basis of accounting related to the timing of the measurements made, regardless of the measurement focus applied.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

All governmental funds are accounted for using the modified accrual basis, revenues are recognized when they become susceptible to accrual (i.e., when they become both measurable and available to finance expenditures of the current period) and expenditures are generally recognized when the related fund liability is incurred with certain exceptions, such as interest on long-term debt which are generally recognized when due.

All Proprietary Funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred. The Township applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements.

Fixed Assets and Long-Term Liabilities

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds and expendable trust funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable sources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

The fixed assets of the Enterprise Fund are valued at historical cost. Interest incurred during construction of fixed assets is capitalized. The cost of fixed assets of all other funds are included in expenditures when incurred and are classified as capital outlay expenditures.

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group, not in the governmental funds.

Because of their spending measurement focus, expenditures recognition for governmental fund types is limited to exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. They are instead reported as liabilities in the General Long-Term Debt Account Group.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash Flow Information

For purposes of the statement of cash flows, the Proprietary Fund considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents. Certificates of deposit, regardless of maturity, are classified as cash and cash equivalents.

Receivables

Property taxes, trade accounts, and state shared revenue receivable represent Township revenues earned through March 31, but that were not received until after March 31. Management has recorded allowances for uncollectible receivables for portions of receivables not collected within a reasonable time after year end.

Due From Other Funds

This represents current property tax collections held by the Tax Collection Fund (Trust and Agency Fund) and owed to the Township's General and Capital Projects Funds.

Sewage Connection Charges Receivable

All customers of the Sewer System were assessed a sewage connection charge. The original assessments were recorded as contributed capital. The assessments are transferred to retained earnings as they become due. The billed and unbilled assessments are recorded on the Enterprise Fund's balance sheet and are shown as a restricted asset.

Fixed Assets

Depreciable fixed assets of the Enterprise Funds are recorded at cost. Depreciation is provided and recorded on the straight line method over the estimated useful lives of the assets, as follows:

Water distribution and sewage collection systems	50 years
Buildings	20 years
Equipment	10 years

The General Fixed Assets of the Township are not recorded. This unrecorded amount is not known.

Accrued Interest Payable

Interest expense incurred but not paid is recorded as accrued interest payable on the balance sheet.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Due to Other Funds

This is current property tax revenue collected and held by the Tax Collection Fund (Trust and Agency Fund) owed to the Township's other funds.

Current Maturity of Bonds Payable

This represents the principal payments on Enterprise Fund bond issues due within twelve months of the balance sheet date.

Long-Term Debt

Enterprise Fund Bond principal payments due later than twelve months of the balance sheet date, and all contracts and other long-term debt of the Township's other funds.

Contributed Capital

Grants and other non-operating revenues of the Enterprise Funds restricted for the construction or acquisition of fixed assets are recorded as contributed capital.

Amortization of Capital Grants

The Enterprise Fund has adopted the reporting recommendation of the National Council on Governmental Accounting Statement 2 on "Grant Entitlement and Shared Revenue Accounting and Reporting by State and Local Governments". The statement requires that the amortization of fixed assets purchased with government grant funds be shown as a reduction of the relating grant equity account.

Fund Balance

Reservations of fund balance are recorded to indicate that a portion of fund balance is legally segregated for a specific use or not appropriable for expenditure. Designations indicate tentative management plans for the future use of certain financial resources that may never be legally authorized or result in expenditures.

Budgets and Budgetary Accounting

The Township follows the State of Michigan Uniform Budgeting and Accounting Act for budgeting procedures. Budgets for all governmental fund types are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted and actual expenditures are shown on a functional basis. Budgeted expenditures are approved on an activity level basis. Unexpended appropriations lapse at year end.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE B - CASH

Deposits are carried at cost. Deposits of the Township are at one bank and one credit union in the name of the Township Treasurer. Act 217, PA 1982, authorizes the Township to deposit and invest in the accounts of the Federally insured banks, insured credit unions, and savings and loan associations; bonds and other direct obligations of the United States, or an agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; banker's acceptance of United States banks; Commercial paper rated within the three highest classifications by not less than two standard rating services, which mature not more than 270 days after the date of purchase, and which involves no more than 50 percent of any one fund; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Michigan law prohibits security in the form of collateral, surety bond, or other forms for the deposit of public money. An Attorney General's opinion states that public funds may not be deposited in financial institutions located in states other than Michigan. The Township's deposits are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement Number 3 categorizes risk for the Township's cash deposits as follows:

	<u>Deposits</u>
Insured (FDIC and NCUA)	\$ 100,000
Uninsured and Uncollateralized	<u>475,125</u>
 TOTAL DEPOSITS	 575,125
 Less net reconciling items	 <u>(24,263)</u>
 Cash per financial statements	 <u>\$ 550,862</u>
 Reported as follows:	
Unrestricted cash	\$ 219,461
Fiduciary fund cash	261,584
Restricted cash	<u>69,817</u>
	 <u>\$ 550,862</u>

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE C - INTERFUND RECEIVABLES AND PAYABLES

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Fund</u>	<u>Interfund Payables</u>
General	\$213,635		
Debt Service	<u>47,949</u>		
Total	<u>\$261,584</u>	Trust and Agency	<u>\$261,584</u>

NOTE D - FIXED ASSETS

A summary of the Enterprise Fund property plant and equipment follows:

	Balance April 1, 2004	Additions	Balance March 31, 2005
Sewage Collection treatment system	\$2,384,534		\$2,384,534
Sewage equipment	147,128		147,128
Sewage structures and improvements	445,950		445,950
Water distribution system and accessories	593,675		593,675
Garbage collection equipment	<u>30,542</u>	<u> </u>	<u>30,542</u>
	3,601,829	\$ -0-	3,601,829
Accumulated depreciation	<u>(1,442,988)</u>	<u>(77,752)</u>	<u>(1,520,740)</u>
Net book value	<u>\$2,158,841</u>	<u>\$(77,752)</u>	<u>\$2,081,089</u>

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE E - LONG-TERM DEBT

The following is a summary of the debt outstanding of the Township as of March 31, 2005:

	Number of Issues	Interest Rate	Maturing Through	Principal Outstanding
Proprietary Fund:				
Sewer Fund:				
Special assessment bonds	1	5%	2013	\$ 55,000
Revenue bonds	1	5%	2021	205,000
General long-term debt:				
Emergency services bonds	1	4.625%	2033	<u>685,200</u>
TOTAL LONG-TERM DEBT				<u><u>\$945,200</u></u>

The annual requirements to amortize all long-term debt, including interest, outstanding as of March 31, 2005 are as follows:

	2006	2007	2008	2009	2010	2011- 2033	Total
Sewer Fund Bonds:							
Special Assessment	\$ 7,750	\$ 7,500	\$ 7,250	\$ 7,000	\$ 6,750	\$ 33,000	\$ 69,250
Revenue	<u>20,250</u>	<u>19,750</u>	<u>19,250</u>	<u>18,750</u>	<u>18,250</u>	<u>205,750</u>	<u>302,000</u>
TOTAL SEWER FUND	\$28,000	\$27,250	\$26,500	\$25,750	\$25,000	\$238,750	\$ 371,250
General long-term debt:							
Emerg. Serv. Bonds	47,492	47,982	49,428	49,780	50,086	1,213,886	1,458,654
TOTAL LONG- TERM DEBT	<u>\$75,492</u>	<u>\$75,232</u>	<u>\$75,928</u>	<u>\$75,530</u>	<u>\$75,086</u>	<u>\$1,452,636</u>	<u>\$1,829,904</u>

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE E - LONG-TERM DEBT (continued)

The following is a summary of long-term debt transactions for the year ended March 31, 2005:

	Special Assessment Bonds	Revenue Bonds	Emergency Services Bonds	Total
Balance payable at April 1, 2004	\$60,000	\$215,000	\$494,600	\$769,600
Proceeds			201,600	201,600
Debt retired	<u>(5,000)</u>	<u>(10,000)</u>	<u>(11,000)</u>	<u>(26,000)</u>
Balance payable at March 31, 2005	<u>\$55,000</u>	<u>\$205,000</u>	<u>\$685,200</u>	<u>\$945,200</u>
Interest paid	<u>\$ 3,000</u>	<u>\$ 10,750</u>	<u>\$ 28,500</u>	<u>\$ 42,250</u>

NOTE F - WATER AND SEWER FUND BOND ORDINANCES

	Sewer Fund
Actual Restricted Assets	<u>\$100,932</u>
Required Reserves:	
Bond and interest redemption reserve	\$ -0-
Replacement reserve	40,000
General purpose reserve	<u>21,000</u>
	<u>\$61,000</u>

The Ordinances authorizing the construction of improvements to the Sewage Disposal System was adopted on June 23, 1983, and allowed for issuance of Revenue Bonds. A resolution authorizing issuance of Special Assessment bonds was also adopted on June 23, 1983, related to the same construction project.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE F - WATER AND SEWER FUND BOND ORDINANCES (continued)

The Ordinance authorizing issuance of the Revenue Bonds requires that bond proceeds and revenues be used generally in the following order:

1. Bond proceeds must be deposited in the Construction Account and used for the purpose of paying costs of construction of the System and interest during the estimated period of construction, which interest is capitalized as a cost of construction. The proceeds of bonds representing capitalized interest estimated to accrue through January 1, 1985, (\$21,041) shall be deposited into the Bond and Interest Redemption Fund. Any unexpended balance of the proceeds of sale of the bonds after completion of the project may be used for further improvements, enlargements and extensions to the System. Any remaining balance after such expenditure shall be paid into the Bond and Interest Redemption Fund and be credited to the bond reserve account or used for the redemption of the bonds.
2. Quarterly transfers must be made from the Receiving Fund, which is used for initial deposit of all operating receipts, to the Operation and Maintenance Account in amounts necessary to pay the current expenses of administration, operation and maintenance of the System for the ensuing quarter.
3. Quarterly transfers must be made to the Bond and Interest Redemption Fund in an amount not less than one-half ($1/2$) of the interest due on the next interest payment date. Commencing April 1, 1985, quarterly transfers must also be made in an amount not less than one-quarter ($1/4$) of the principle amount maturing on the next principal payment date.
4. Commencing on the first day of the fiscal year following completion of the project, quarterly transfers of \$525 must be made to the Bond and Interest Redemption Fund Reserve Account until such account shall total \$21,000. This account is to be used solely for the payment of principal and interest on bonds otherwise in default.
5. Quarterly transfers shall be made to the Replacement Reserve Account one quarter ($1/4$) of the sum of fractions, the numerator of which shall be the initial cost of equipment or accessory to the System and the denominators of which shall be the estimated useful lives thereof. The actual amount required to be set aside shall be determined by the Township Board. The Board has determined that the amount shall be \$500 per quarter.
6. Any balance remaining after the above requirements have been met shall be transferred to the General Purpose Account to be used for paying the cost of repairing or replacing any damage to the System caused by any unforeseen catastrophe, for making extensions or improvements to the System, and when necessary paying principal of and interest on bonds. The balance in the general purpose account need not exceed \$21,000.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE F - WATER AND SEWER FUND BOND ORDINANCES (continued)

7. Balances of revenues remaining after the above requirements are met shall, at the option of the Township Board, be transferred to the Bond and Interest Redemption Fund for the purpose of calling bonds, to the General Purpose Account or the General Funds of the Township for use for any lawful purpose. However, in the event there is a deficit in any of the funds mentioned above, on account of defaults in setting aside monies as required, then transfers of remaining revenues shall be made to these funds in the priority and order as herein enumerated.

The resolution authorizing the issuance of Special Assessment Bonds requires the following:

1. There shall be established a Special Assessment Bond Debt Retirement Fund into which shall be paid from bond proceeds any interest accruing on the bonds for a thirteen month period starting from the date of delivery of the bonds. The fund shall also be used for the collection of principal and interest payments received from Sewage Disposal System customers on the Special Assessment Roll.

2. Bond proceeds must be deposited in the Construction Account exclusive of the amount of interest which will accrue on the bonds for a thirteen month period from date of delivery. The monies in the Construction Account are to be used only to pay the costs of the project including bond issuance costs. Any unexpended balance of the proceeds of sale of the bonds may be used for any purpose permitted by law.

The Township's Sewer Fund's loan documentation requires that sufficient revenue be generated each year to cover the costs of operations and maintenance, pay principal and interest, and fund reserves as required. For the year ended March 31, 2005, the sewer fund has a revenue deficiency of \$14,890 as follows:

Revenues	\$ 98,222
Deductions	<u>113,112</u>
Revenue Deficiency	<u><u>\$(14,890)</u></u>

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE G - RESERVED AND DESIGNATED FUND BALANCE

The resources of the debt service fund have been accumulated from sources restricted for the repayment of debt to be incurred in the acquisition of a new fire hall and fire truck. The fund balance is reserved for this purpose.

The Township Board designates part of the General Fund balance for the construction, acquisition, alteration, remodeling and equipping of public improvements. Annually, all surpluses are allocated for public improvements except that the annual allocation is not to exceed total revenues, excluding property taxes. The General Fund balance designated for public improvements is \$130,374 at March 31, 2005.

The Township Board has designated that the entire 2004 property tax levy be used for expenditures of the Township for the fiscal year ending March 31, 2006. The amount of that levy included in revenue, \$206,693, is designated for this purpose.

NOTE H - PROPERTY TAXES

Property taxes are levied December 1 and are payable without penalty by March 1. In addition to Township taxes, the Township levies property taxes for the County of Marquette, State of Michigan, the Marquette-Alger Intermediate School District, and the Republic-Michigamme School District, which are accounted for in the Fiduciary Fund. Township property taxes are recognized when levied as revenue to the extent that they result in current receivables (generally collected within 60 days). Delinquent property taxes receivable not collected within 60 days are carried as deferred revenue.

A statewide referendum, commonly known as Proposal A, took effect in 1994. Under this law, a new term, "Taxable Value", has been created. Proposal A limits annual increases in taxable value of property to the lesser of 5% or the rate of inflation. Initial taxable values, for 1994, were equal to state equalized values in that year. The maximum allowable increase in taxable value for 2004 was 2.6%.

An exception to the maximum increase is new construction, which is taxed at its assessed value for the year of construction, and is then subject to the limitations on subsequent years. A property's taxable value will be adjusted up to reflect 50% of the sales price in the year of sale.

Collections include delinquent real property taxes remitted by the County of Marquette from proceeds of notes payable issued by the County. If the delinquent taxes are not collected from taxpayers within three years, the Township must refund the taxes plus interest.

The assessed and state equalized values of real and personal property located in the Township at December 1, 2003 totaled \$53,062,462 representing 50% of estimated current value. Taxable value at December 1, 2003 was \$33,894,915.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE H - PROPERTY TAXES (continued)

The tax levy for that year was based on the following millage rates (one mill is equal to \$1.00 per \$1,000 of taxable value):

General Fund - Unrestricted	6.0953 mills
Capital Projects Fund - Restricted	1.5513 mills

NOTE I - PENSION PLAN AND COMPENSATED ABSENCES

The Township does not have a pension plan or accrued vacation and sick leave liability at March 31, 2005.

NOTE J - OPERATING LEASE

The following is a schedule by years of minimum future rentals to be received on two noncancellable operating leases as of March 31, 2005:

Year ending March 31,	
2006	\$18,300
2007	10,500
2008	<u>3,500</u>
Total future minimum rentals	<u>\$32,300</u>

As the Township does not include the general fixed asset account group in its general purpose financial statements, the cost of the assets being leased has not been determined.

NOTE K - BUDGET

The Township complied with the Michigan Uniform Budgeting and Accounting Act in adopting its budget for the year ended March 31, 2005. The Board amended its budget during the year, as permitted by State statute.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE L - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The Township maintains three enterprise funds, the Water Fund, the Sewer Fund, and the Solid Waste Fund. As the proprietary fund financial statements present each fund in a separate column, detailed segment information is not required.

NOTE M - JOINT VENTURE

In 1988, Republic Township joined 21 other municipalities in the Marquette County Solid Waste Management Authority ("Authority"). The Authority was created pursuant to Act 233 of 1955 to plan for, acquire, construct, finance, operate, maintain, repair and dispose of, whether by sale, lease, or otherwise, an Act 641 landfill, including all improvements, appurtenances, easements, accessory facilities and structures, equipment, and other property part of or incidental to the landfill sufficient to satisfy the requirements of, and function as a solid waste disposal area under Act 641 and to establish and administer procedures providing for the separation, recycling, recovery, conversion of solid waste to energy and for the disposition of such energy output and disposal at the site of Non-toxic Type II and Type III Solid Waste, to fund all of the above activities, to charge and collect fees in connection with the operation of the landfill and to provide for the reimbursement with receipt of bond proceeds to the City of Marquette and Sands Township of their respective costs and expenses incurred in connection with the establishment and administration of the Solid Waste Authority and the System Facility.

The Authority is governed by a Board of Trustees consisting of one member (who shall be the Chairperson of the Board of Trustees) designated by the Sands Township Supervisor on behalf of the Sands Township, two members designated by the Marquette City Commission, three members designated by the Marquette County Board of Commissioners, and one resident of the City of Marquette appointed by the other six Authority Board members. All decisions of the Board are made by majority vote, consisting of at least four of its members.

The Township's share of assets, liabilities, and fund equity, based on population, is approximately 1.7 percent. Summary financial information as of and for the fiscal year ended June 30, 2004 is as follows:

Total Assets	\$13,084,748
Total Liabilities	2,136,948
Total Equity	10,947,800
Total Operating Revenues	3,157,413
Total Operating Expenses	2,065,094
Other Income (Expenses)	(101,265)
Net Income	1,033,247
Total Joint Venture's	
Outstanding Debt	1,826,494

NOTES TO FINANCIAL STATEMENTS (continued)

The City of Marquette has pledged its full faith and credit for the Marquette County Solid Waste Management Authority Bonds, Series 1988. These bonds are payable from the net revenues of the Authority, as well as by each member of the Authority to the extent of their pro rata share of the principal and interest requirements on the bonds.

The Township is a guarantor by pledging the full faith and credit of the Township for their allocated portion of bonds issued by the Authority in the amount of \$19,155 outstanding at June 30, 2004 at a variable interest rate, with a final maturity on May 1, 2009. This amount is not included as a liability in the accompanying financial statements.

The Authority allocates and charges as an operating expense annual fixed costs to each participant, including debt requirements of the Authority's bonds, that are guaranteed by the Township. The future annual payments, including interest, range from \$3,370 to \$3,594 and are included as operating expenses in the proprietary fund in the accompanying financial statements.

The audited financial statements of the Marquette County Solid Waste Management Authority can be obtained at 600 County Road NP, Marquette, MI 49855.

NOTE N - RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Township purchases insurance coverage through the Michigan Township Participating Plan. This plan purchases reinsurance for all risks. The Township's expense is to pay only the annual premium. In addition, the Township purchases worker's compensation insurance through the Accident Fund of Michigan.

**REQUIRED
SUPPLEMENTAL
INFORMATION**

REPUBLIC TOWNSHIP
GENERAL FUND - STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCE -
BUDGET AND ACTUAL
Year ended March 31, 2005

	Original Budget	Amended Budget	Actual	Amended Variance Favorable (Unfavorable)
REVENUES				
PROPERTY TAXES				
Current property taxes			\$206,683	
Delinquent taxes			12,506	
Payment in lieu of taxes			3,361	
State land			2,008	
Commercial forest			18,113	
Tax administration fee			12,494	
TOTAL PROPERTY TAXES	\$262,925	\$347,190	255,165	(\$92,025)
STATE GRANTS				
State shared revenues			86,999	
TOTAL STATE GRANTS	84,000	84,000	86,999	2,999
CHARGES FOR SERVICES				
Cemetery			7,835	
Ambulance fees			13,221	
Other			6,542	
TOTAL CHARGES FOR SERVICES	25,050	27,210	27,598	388
INTEREST AND RENTALS				
Rental income			13,015	
Interest income			2,618	
TOTAL INTEREST AND RENTALS	\$1,500	\$1,550	\$15,633	\$14,083

REPUBLIC TOWNSHIP
GENERAL FUND - STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCE -
BUDGET AND ACTUAL (continued)
Year ended March 31, 2005

	Original Budget	Amended Budget	Actual	Amended Variance Favorable (Unfavorable)
OTHER REVENUE				
Reimbursements			\$25,336	
Sale of fixed assets			4,460	
Other			162,738	
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL OTHER REVENUES	\$174,875	\$220,140	192,534	(\$27,606)
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL REVENUES	548,350	680,090	577,929	(102,161)
EXPENDITURES				
LEGISLATIVE -				
Township Board	26,085	28,395	18,497	9,898
GENERAL GOVERNMENT				
Supervisor	4,820	4,820	4,457	363
Clerk	10,525	10,525	10,464	61
Deputy Clerk	1,700	1,700	1,577	123
Treasurer	10,525	10,525	13,523	(2,998)
Deputy Treasurer	7,400	8,200	1,954	6,246
Data processing	7,000	7,000	11,622	(4,622)
Township buildings	31,750	42,910	46,381	(3,471)
Buildings and ground maintenance				0
Cemetery	1,070	1,170	514	656
Board of review	1,040	1,040	1,490	(450)
Assessor	19,525	19,700	20,074	(374)
Elections	2,705	3,630	3,300	330
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL GENERAL GOVERNMENT	98,060	111,220	115,356	(4,136)
PUBLIC SAFETY				
ID system	5,300	50,250	43,364	6,886
Fire	23,050	23,350	16,580	6,770
Zoning	8,375	8,375	3,055	5,320
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL PUBLIC SAFETY	\$36,725	\$81,975	\$62,999	\$18,976

REPUBLIC TOWNSHIP
GENERAL FUND - STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCE -
BUDGET AND ACTUAL (continued)
Year ended March 31, 2005

	Original Budget	Amended Budget	Actual	Amended Variance Favorable (Unfavorable)
PUBLIC WORKS				
Street lighting	\$17,000	\$17,000	\$18,269	(\$1,269)
Other public works	85,500	85,710	79,159	6,551
Vehicle pool	6,200	8,200	7,872	328
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL PUBLIC WORKS	108,700	110,910	105,300	5,610
HEALTH AND WELFARE				
Ambulance	20,310	22,060	22,572	(512)
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL HEALTH AND WELFARE	20,310	22,060	22,572	(512)
RECREATION AND CULTURAL				
Recreation	7,975	12,550	8,022	4,528
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL RECREATION AND CULTURAL	7,975	12,550	8,022	4,528
OTHER				
Mine reclamation	160,000	160,000	168,620	(8,620)
Other	90,495	152,980	54,568	98,412
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL OTHER	\$250,495	\$312,980	\$223,188	\$89,792

REPUBLIC TOWNSHIP
GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCE -
BUDGET AND ACTUAL (continued)
Year ended March 31, 2005

	Original Budget	Amended Budget	Actual	Amended Variance Favorable (Unfavorable)
CAPITAL OUTLAY			\$7,160	(\$7,160)
TOTAL EXPENDITURES	\$548,350	\$680,090	563,094	116,996
EXCESS OF REVENUES (EXPENDITURES)	0	0	14,835	14,835
Fund balance at beginning of year			322,232	322,232
FUND BALANCE AT END OF YEAR	\$0	\$0	\$337,067	\$337,067

**OTHER
SUPPLEMENTAL
INFORMATION**

REPUBLIC TOWNSHIP
TRUST AND AGENCY FUND - STATEMENT OF CHANGES
IN ASSETS, LIABILITIES AND FUND BALANCE
Year ended March 31, 2005

	Balance April 1, 2004	Additions	Reductions	Balance March 31, 2005
TAX COLLECTION FUND				
ASSETS				
Cash	\$199,366 =====	\$1,272,155 =====	\$1,209,937 =====	\$261,584 =====
LIABILITIES				
Due to County		\$282,322	\$282,322	
Due to School		535,108	535,108	
Due to State		193,141	193,141	
Due to General Fund	\$199,366	213,635	199,366	\$213,635
Due to Capital Projects Fund		47,949		47,949
	-----	-----	-----	-----
	\$199,366 =====	\$1,272,155 =====	\$1,209,937 =====	\$261,584 =====

REPUBLIC TOWNSHIP
STATEMENT OF CURRENT TAX COLLECTIONS
Year ended March 31, 2005

	Republic Township	Republic- Michigamme Schools	State of Michigan	County of Marquette
2004 Property Tax Levy:				
Ad valorem	\$259,181	\$579,956	\$203,369	\$310,761
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL LEVY	259,181	579,956	203,369	310,761
Less delinquent property taxes	(29,441)	(44,848)	(10,228)	(28,439)
	<hr/>	<hr/>	<hr/>	<hr/>
CURRENT PROPERTY TAX COLLECTIONS	\$229,740	\$535,108	\$193,141	\$282,322
	=====	=====	=====	=====

APPENDICES

kroncich & ASSOCIATES P.C.

Certified Public Accountants

Members:
American Institute of C.P.A.'s
Michigan Association of C.P.A.'s

ANTHONY N. KRONCICH, CPA • MICHAEL R. HILL, CPA
**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

The Honorable Supervisor and Township Board
Republic Township
Marquette County, Michigan

We have audited the financial statements of Republic Township, Marquette County, Michigan as of and for the year ended March 31, 2005, and have issued our report thereon dated February 16, 2006, which was qualified due to the omission of the governmental funds' fixed assets. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Republic Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect of the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of Republic Township in a separate letter dated February 16, 2006.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Republic Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Republic Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING
STANDARDS (continued)**

The reportable conditions noted are as follows:

Segregation of Duties

Due to the relatively small size of the Township and the number of accounting personnel, the segregation of accounting related functions is less than an ideal internal control structure. It may not be cost effective to improve this condition because of budget limitations.

Cancelled Checks

The Township does not receive its cancelled checks back from its financial institution (credit union). This results in an inability to have someone removed from the check distribution process review the cancelled checks for agreement to cash disbursements records, leaving the possibility open for altered checks to go undetected.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also material weaknesses. However, of the reportable conditions described above, we consider the item on cancelled checks to be a material weakness. We also noted other matters involving the internal control over financial reporting that we have reported to management of Republic Township, Marquette County, Michigan in a separate letter dated February 16, 2006.

This report is intended for the information of the Township Board, management, and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Kronisch & Associates, P.C.

Certified Public Accountants

Marquette, Michigan
February 16, 2006

kroncich & ASSOCIATES P.C.

Certified Public Accountants

ANTHONY N. KRONCICH, CPA • MICHAEL R. HILL, CPA

Members:
American Institute of C.P.A.'s
Michigan Association of C.P.A.'s

February 16, 2006

Honorable Supervisor and Township Board
Republic Township
Marquette County, Michigan

In planning and performing our audit of the financial statements of Republic Township, Marquette County, Michigan for the year ended March 31, 2005, we considered the Township's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated February 16, 2006 on the general purpose financial statements of Republic Township.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Township personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Kroncich & Associates, P.C.

Certified Public Accountants

REPUBLIC TOWNSHIP
COMMENTS AND RECOMMENDATIONS
March 31, 2005

CANCELED CHECKS

As reported to you in our Report on Compliance and on Internal Control Over Financial Reporting (pages 46-47 of your Audited Financial Statements), we noted a reportable condition that we consider to be a material weakness in your system.

The Township has not received its canceled checks back with its monthly bank statements since you changed financial institutions. This situation was reported to you in our prior audit, and nothing has changed. Not receiving the canceled checks eliminates the ability to review the canceled checks, allowing for the possibility of an altered check to go undetected.

We recommend that arrangements be made with your current financial institution to have your canceled checks returned with your bank statements. Someone removed from the check distribution process should receive the canceled checks, and review them monthly, comparing them to the recorded transactions.

SEWER FUND REVENUES

A revenue deficiency (as defined in the bond documentation) of \$14,890 occurred this year. This continues the trend of the last several years. The Sewer Fund is required to generate revenues sufficient to cover operating expenses (not including depreciation), reserve funding (\$2,000 per year), and bond interest and principal payments for the year.

Since the Board has taken actions to minimize operating expenses in this fund over the years, we recommend a rate increase be considered. For the year ended March 31, 2005, sewer rates would have had to be approximately 19% higher than they actually were in order to meet the bond ordinance requirements.

In setting rates, the Board must consider the effects of future inflation on operating expenses. As the system ages, it is reasonable to expect repairs and maintenance expense to increase.

BUDGET MATTERS

Although total expenditures in the General Fund were below budget, we did note some line items that were over budget. The details can be found on pages 38-41 of the financial statements. State law requires the budget to be amended before you over expend a line item. We encourage the Board to continue its regular monitoring of actual results versus budgeted amounts, and to continue to amend the budget when necessary.

UTILITY FUND BILLINGS

The change from monthly to quarterly billings for water, sewer, and garbage collection was designed to minimize costs, which it has. However, the change has also had the unintended result of slower cash flow. The various funds now must wait until the end of each quarter to begin to receive its revenue, rather than the end of each month. This has necessitated short-term borrowing to keep adequate working capital in the various bank accounts.

We recommend the Board consider alternatives to the current system, to accelerate the cash flow of these funds. Possible alternatives might include billing earlier in the quarter, going back to monthly billings, or changing to a two month billing cycle. Whatever is considered should be studied to make sure the intended result is obtained.

CASH DEPOSITS

As noted in the past, a significant portion of the Township's cash on deposit (approximately \$475,000 of \$575,000) was uninsured as of March 31, 2005. The amount of uninsured cash may be substantially greater than this at different times of the year. It is particularly difficult to spread the risk considering there is only one financial institution located within the Township limits. We encourage the Board to monitor this situation, and recognize that there is risk, however small, in having significant amounts of uninsured deposits.

GASB STATEMENT 34

After many years of anticipation, GASB Statement #34 is finally effective for Republic Township. The changes for your financial report include the new Management's Discussion and Analysis, and the inclusion of government-wide financial statements. We encourage you to explore the new statements, as they bring a new, long-term perspective to governmental financial reporting.

One of the aspects of GASB #34 is the inclusion of governmental fund fixed assets, such as your buildings, land, and equipment. The fixed assets of the Water, Sewer, and Solid Waste Funds have previously been recorded. We would encourage the Board to look into having a fixed assets appraisal performed, to determine the cost and acquisition dates of the major fixed assets of the Township. This would enable us to remove the fixed assets qualification from our audit report, and enable you to better monitor the level of insurance you carry on your properties.